

Palos Management Inc. ("Palos") is launching the Palos IOU High Yield Fund (the "Fund"). This document contains key information you should know about the Fund. You can find more detailed information in the Fund's Trust Agreement and Offering Memorandum. To the extent that this Term Sheet differs in any way from the Fund's Trust Agreement or Offering Memorandum, the terms of such documents will govern.

### What Does the Fund Invest In?

The Fund will purchase commercial loans (the "Loans") originated by IOU Central ("IOU"). Loans are typically small (US\$5,000 to US\$150,000), self-liquidating (repaid daily), short term and personally guaranteed by the owner(s) of the business.

### Palos Management Background

The Fund operates under the oversight of Palos. Founded in 2001 and based in Montreal, QC, Palos is an AMF registered Exempt Market Dealer, Investment Fund Manager, Portfolio Manager and Derivatives Portfolio Manager with approximately \$165 million of assets under management. The firm has extensive experience in money management, financial operations, and regulatory compliance.

### IOU Background

IOU is a leading online lender specialized in helping small businesses with healthy cash flow. Based in metro Atlanta, Georgia, IOU is a privately held subsidiary of IOU Financial (CNSX: IOU) ("IOU Financial"). IOU loaned \$99.5 million in 2014 to businesses located in almost all 50 U.S. states and operating in hundreds of different industries.

### Related Parties

The Marleau Capital Corporation ("Marleau Capital") controls Palos Capital Corporation ("Palos Capital") which in turn owns 100% of the equity securities of Palos. Palos is the General Partner of the Palos Merchant Fund L.P. (the "Palos Fund"). The Palos Fund and Marleau Capital own directly or indirectly a significant stake of voting securities of IOU Financial. Philippe Marleau, CEO of IOU Financial acts as a director for Marleau Capital, IOU Financial and Palos Capital. The decision to distribute the Loans, including the amount to be distributed, the determination of the price of the Loans and the debt servicing terms, will be made by IOU Central through negotiations with the Manager and the Fund. The selection of the Loans to be sold to the Fund will be based on a random loan selector. The proceeds from the distribution of the Loans to the Fund will not be applied for the benefit of Palos, Palos Capital, Palos Fund or Marleau Capital. The terms of the compensation arrangement between Palos and the Fund will be set forth in a management agreement, which will be available for review.

### Terms

<b>Structure:</b>	Canadian Private Mutual Fund Trust	<b>Gate Provision:</b>	Redemption gate at 15% of Net Asset Value ("NAV") per quarter on a pro rata basis.	
<b>Legal Domicile:</b>	Canada	<b>Loan Facility:</b>	Not to exceed 25% on NAV	
<b>Subscription:</b>	Monthly; First business day of each month	<b>Fiscal Year:</b>	December 31	
<b>Minimum Investment:</b>	US \$25,000 Initial US \$500 Subsequent	<b>Management Fee:</b>	Series A: 2% of NAV annually Series F: 1% of NAV annually Payable monthly in advance	
<b>Eligibility:</b>	Accredited investors only; Private offering; Canadian residents only	<b>Performance Fee:</b>	None	
<b>Distributions:</b>	Quarterly distributions. Investors receive 75% of net income on an annual basis (75% payout quarterly and payable 30 days after the quarter end); the Fund has the option to suspend distributions.	<b>Trailer Fee:</b>	Series A: 1% (Included in management fee) Series F: none	
<b>Redemptions:</b>	Quarterly redemptions available with 60 days written notice prior to redemption date at quarter end, payable 30 days after quarter end; the Fund has the option to suspend withdrawals.	<b>FundSERV:</b>	<u>CDN Hedged</u> Series A: PAL703 Series F: PAL704	<u>US Dollar</u> Series A: PAL701 Series F: PAL702
		<b>Underlying Currency:</b>	\$US	
		<b>Registered Accounts</b>	Eligible for registered Accounts (RRSP, TFSA, RESP, RRIF, etc.)	

Note: Series I for large institutional investors in USD or in CAD hedged

### Service Providers

Custodian: NBCN Inc. and Palos

Transfer Agent and Registrar: Apex Fund Services (Canada) Inc.

Auditor: PricewaterhouseCoopers LLP

Trustee: Computershare Trust Company of Canada

### Firm Information

Firm: Palos Management Inc.

Role: Investment Fund Manager, Portfolio Advisor and Exempt Market Dealer

Web Site: [www.palosmanagement.com](http://www.palosmanagement.com)

Email: [info@palosmanagement.com](mailto:info@palosmanagement.com)

Tel: (514) 397-0188

Toll-free: (855) 725-6788

Fax: (514) 397-0199

Address: 1 Place Ville Marie, Suite 1670  
Montreal, Quebec H3B 2B6  
Canada

### Contact Details

**Charles Marleau, CIM**

President & Senior Portfolio Manager  
514-397-0188 ext. 227  
[cmarleau@palosmanagement.com](mailto:cmarleau@palosmanagement.com)

**Joseph Khoubbieh, CFA**

Senior Portfolio Manager  
514-397-0188 ext. 248  
[jkhoubbieh@palosmanagement.com](mailto:jkhoubbieh@palosmanagement.com)

**Bechara Haddad**

Senior Analyst  
514-397-0188 ext. 282  
[bhaddad@palosmanagement.com](mailto:bhaddad@palosmanagement.com)

**Lilliane Nguyen, LL.B, LL.M Taxation**

Manager, Client Services  
514-397-0188 ext. 228  
[lnguyen@palosmanagement.com](mailto:lnguyen@palosmanagement.com)

**Hubert Marleau**

Co-Founder  
514-397-0188 ext. 222  
343-370-1943 cell

## **CAUTIONARY STATEMENT**

This Term Sheet is provided for informational purposes only as of October 24, 2013, is not complete, and may not contain certain material information about Palos, the Fund or IOU, including important disclosures and risk factors associated with an investment in the Fund. This information does not take into account the particular investment objectives or financial circumstances of any specific person who may receive it. Before making any investment, prospective investors should consult their financial, legal and tax advisors to determine whether an investment is suitable for them. No person has been authorized to give any information or to make any representations other than as contained in this Term Sheet. Statements in this Term Sheet are made as of October 24, 2013 unless stated otherwise herein, and the delivery of this Term Sheet at any time shall not under any circumstances create an implication that the information contained herein is correct as of any time subsequent to such date. Only investors who do not require immediate liquidity of their investment should consider a potential purchase of units of the Fund.

Certain calculations (the "Calculations") in this Term Sheet were prepared by Palos, as of October 24, 2013, 2013, unless specified otherwise. Although believed to be accurate, the Calculations have not been independently verified by an accountant or lawyer. The Calculations contain certain terms, which are not recognized measures under generally accepted accounting principles. Unless otherwise noted, the Calculations (and any assumptions contained therein) relate to past events and performance and do not constitute a forecast, projection, estimate of possible results, contractual undertaking or guarantee. Palos assumes no obligation to update or revise the Calculations to reflect new events or circumstances. Past performance may not be indicative of future results.

Certain information contained herein is based on, or derived from, information provided by third-party sources. Palos believes that such information is accurate and that the sources from which it has been obtained are reliable. Palos cannot guarantee the accuracy of such information, however, and has not independently verified the assumptions on which such information is based. Neither Palos or its principals, the Fund or its principals, IOU or its principals, nor any of their respective affiliates assumes any responsibility for the accuracy or completeness of such information.

This Term Sheet does not take into account the particular investment objectives or financial circumstances of any specific person who may receive it. The risks involved in this type of investment may be greater than those normally associated with other types of investments. Please refer to the Offering Memorandum for a further discussion of the risks of investing in the Fund.

This Term Sheet is not to be construed as an offering of securities, which offering can only be made by a private placement exemption from prospectus requirements and only in those jurisdictions where such securities may be lawfully offered for sale. The intended audience for this Term Sheet is an "accredited investor" as such term is defined under National Instrument 45-106 – Prospectus and Registration Exemptions. If you are not an "accredited investor" please disregard this Term Sheet. The eventual offering of units by the Fund will constitute a private offering of these securities only in those jurisdictions and to those persons where and to whom they may be lawfully sold and therein only by those entities permitted to sell such securities. Any resale of such units must be made in accordance with, or pursuant to an exemption from, or in a transaction not subject to, prospectus requirements and in compliance with the registration requirements of applicable securities laws, which vary depending on the province. Eventual investors are advised to seek appropriate Canadian legal advice prior to any resale of the units of the Fund as such resales may only be undertaken in accordance with applicable law. This Term Sheet is not, and under no circumstances is it to be construed as, a prospectus, advertisement or public offering of the securities referred to herein. No securities commission or similar regulatory authority has passed on the merits of the securities offered nor has it reviewed this Term Sheet and any representation to the contrary is an offence. Prospective purchasers of units of the Fund should consult their own tax advisors regarding the Canadian tax considerations relevant to the purchase of units of the Fund having regard to their particular circumstances. Palos is registered with Autorité des marchés financiers (Quebec), as an Investment Fund Manager, Portfolio Manager, Exempt Market Dealer and Derivatives Portfolio Manager.

This Term Sheet does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction.

This Term Sheet and its contents are confidential. It is being presented to you solely for your information and may not be reproduced or forwarded to any other person, or published (in whole or in part) for any purpose.

## **FORWARD LOOKING STATEMENTS**

This Term Sheet may include certain "forward-looking statements." All statements, other than statements of historical fact, included herein are forward-looking statements, including, without limitation, future plans and objectives of Palos or the Fund, terms of offering and other events and circumstances described as expectations or intentions. Use of the words "anticipates," "believes," "estimates," "expects," "intends," "plans," "should" and similar expressions herein are intended to identify forward-looking statements. These statements reflect the current internal projections, expectations or beliefs of Palos and are based on information currently available to Palos. An investment in the Fund is speculative due to the nature of its business. Forward-looking statements are subject to known and unknown risks, uncertainties and assumptions, including without limitation changes in general economic conditions, competition, stock market volatility and market valuations, inability to sell the units of the Fund and other factors both in and outside the control of Palos.

Although the forward-looking statements contained in this Term Sheet are based upon assumptions which Palos believes to be reasonable, Palos cannot assure investors that actual results will be consistent with these forward-looking statements.

Although management of Palos believes that the expectations represented in such statements are reasonable, there can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. There is no assurance that Palos will be able to successfully complete each of the growth initiatives described. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of Palos.

The forward-looking statements contained in this presentation are expressly qualified in their entirety by this cautionary statement. The forward-looking statements made herein are made as of the date hereof, and Palos does not undertake any obligation to update such statements to reflect any new information, subsequent results or events or otherwise unless required under applicable securities laws.